

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
----- 057306

R 161814Z DEC 75  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 7498  
INFO AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
AMEMBASSY TEHRAN  
AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 19342

EXDIS

PARIS FOR SCHWEBEL

E.O. 11652: GDS  
TAGS: ENRG KU  
SUBJECT: GULF OIL AGREEMENT WITH KUWAIT AND RESERVA-  
TION OF USG RIGHTS

REF: A) SCHWEBEL-KAUFMAN TELCONS; B) KUWAIT 4462;  
C) STATE 254892

1. SUMMARY: NEITHER HMG NOR BP IS VERY ENTHUSIASTIC  
ABOUT A USG DECLARATION BUT PROBABLY WILL NOT POSE ANY  
OBJECTION TO ITS BEING MADE OR COMMENT ADVERSELY IN PUB-  
LIC SUBSEQUENTLY. BP DOES NOT INTEND TO SOLICIT NOR IS  
HMG LIKELY TO MAKE A SIMILAR DECLARATION FOR VARIETY OF  
REASONS. DEFINITIVE HMG POSITION WILL BE COMMUNICATED TO  
US ASAP. END SUMMARY.

2. DEPARTMENT IS AWARE OF COOL REACTION BY BOTH HMG AND  
BP TO PROPOSED DECLARATION BY USG. FCO INITIALLY MADE  
CLEAR BP HAD CERTAIN DIFFICULTIES WITH PROPOSED COMMUNI-  
CATION AND FELT CONSTRAINED TO BE GUIDED BY BP'S ATTITUDE  
PENDING FURTHER STUDY. IN SUBSEQUENT DISCUSSIONS WITH  
FCO, DEPARTMENT OF ENERGY AND BP OFFICIALS, THEY HAVE  
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SAID THEY WOULD NOT POSE OBJECTION TO A USG DEMARCHE ON

BEHALF OF GULF BUT CONSISTENTLY REJECT IDEA OF SIMILAR DECLARATION BEING MADE BY HMG EVEN IF DIRECT REFERENCE TO A RESERVATION OF RIGHTS, AS INCLUDED IN LAST SENTENCE OF PROPOSED DRAFT CONTAINED REFTEL C, WERE STRUCK AND PRESENTATION WERE OPAL RATHER THAN IN WRITING. BRITISH ALSO ARE LESS THAN SANGUINE ABOUT PROSPECTS THAT USG DECLARATION WILL EXERT POSITIVE INFLUENCE ON CONDUCT OR RESULT OF SIMILAR NEGOTIATIONS IN OTHER OIL PRODUCER STATES.

3. BP CLEARLY BELIEVES A SPECIFIC REFERENCE TO USG OR HMG RESERVATION OF RIGHTS WOULD BE COUNTERPRODUCTIVE. BP FORECASTS KUWAITIS WOULD BE INFURIATED AND RETALIATE IN SOME MANNER. THEY MIGHT EVEN DRIVE OUT THE COMPANIES ENTIRELY BY RAISING THE COST OF CRUDE. MORE GENERALLY, BP IS UNENTHUSIASTIC ABOUT SUGGESTING OR APPROVING OF AN HMG DECLARATION BECAUSE KUWAITIS ARE APT TO DECLARE IN REPLY THAT THERE IS ABSOLUTELY NO CONNECTION BETWEEN DOCUMENT PROVIDING NET BOOK VALUE COMPENSATION AND DOCUMENT PROVIDING FOR ONGOING COMMERCIAL ARRANGEMENTS. WHILE THE COMPENSATION DOCUMENT DOES REFER TO KUWAITIS' AGREEMENT TO ENTER INTO COMMERCIAL ARRANGEMENT, ACTUAL DETAILS ARE CONTAINED IN SEPARATE INSTRUMENTS WHICH ARE NOT INCORPORATED BY REFERENCE. BP PREFERS TO LEAVE CONNECTION DELIBERATELY VAGUE AS IT BELIEVES THIS IS A VERY SLENDER PEG ON WHICH TO BASE A LEGAL ARGUMENT. IT IS SUGGESTED THAT LEGAL BASIS FOR GOVERNMENT INTERVENTION WOULD BE STRONGER IF SUCH A DECLARATION WAS MADE PRIOR TO KUWAITI NATIONAL ASSEMBLY ACTION, BUT FROM A PRACTICAL POLITICAL STANDPOINT OF COURSE, THIS WOULD BE SHEER

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INFO OCT-01 ISO-00 SSO-00 /026 W  
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R 161814Z DEC 75  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 7499  
INFO AMEMBASSY JIDDA  
AMEMBASSY KUWAIT

AMEMBASSY TEHRAN  
AMEMBASSY PARIS

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FOLLY.

4. BP ALSO QUESTIONS USEFULNESS OF SUCH A BELATED DECLARATION IN CMNTEXT OF NEGOTIATIONS WITH OTHER OIL PRODUCER STATES. PRECEDENT FOR COMPENSATION OF OIL COMPANY ASSETS AT NET BOOK VALUE WAS SET AT TIME PARTICIPATION WAS RAISED TO 60 PERCENT. BP SOURCE STATES CATEGORICALLY THAT, UNFORTUNATELY, NONE OF PRODUCER STATES WHICH INTERNATIONAL MAJORS DEAL WITH ELSEWHERE IN MIDDLE EAST ARE LIKELY TO BE IMPRESSED OR DETERRED BY A USG OR HMG DECLARATION IN KUWAIT. BP OFFICIAL IS QUICK TO ADD HOWEVER THAT IF USG SUCCEEDED IN INFLUENCING SAUDIS TO PAY MORE THAN BOOK VALUE, OR CONSIDER ONGOING COMMERCIAL DEAL AS DIRECTLY TIED TO COMPENSATION, THIS MIGHT HAVE BENEFICIAL EFFECT IN IRAN.

5. DEPARTMENT OF ENERGY OFFICIAL VOICED CONCERN THAT ONCE DECLARATIONS WERE MADE IN KUWAIT IT MIGHT ESTABLISH PRECEDENT WHICH WE WOULD FEEL COMPELLED TO FOLLOW IN ALL OTHER PRODUCER COUNTRIES, DESPITE POSSIBILITY THAT LOCAL CIRCUMSTANCES ELSEWHERE MIGHT SUGGEST DIFFERENT APPROACH. IN SUCH CASE OUR FAILURE TO REGISTER A DECLARATION MIGHT BE DEEMED TO BE ACQUIESCE FROM CONFIDENTIAL

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LEGAL AND POLITICAL STANDPOINT.

6. FCO HAS PROMSIED TO COMMUNICATE DEFINITIVE HMG POSITION TO US AS SOON AS POSSIBLE.

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## Message Attributes

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**To:** STATE  
**Type:** TE  
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